

DIRECT TESTIMONY ON REOPENING

of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Illinois Power Company

2001 Purchased Gas Adjustment Reconciliation

Docket No. 01-0701

August 25, 2003

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1 Witness Identification

2 Q. Please state your name and business address.

3

4 A. My name is Burma C. Jones. My business address is 527 East Capitol Avenue,
5 Springfield, Illinois 62701.

6 Q. Are you the same Burma C. Jones who previously provided direct testimony and
7 rebuttal testimony in this proceeding?

8

9 A. Yes.

10 Purpose of Testimony

11 Q. What is the purpose of your direct testimony on reopening?

12

13 A. The purpose of this testimony is to respond to the supplemental testimony of
14 Illinois Power Company ("IP" or "Company") witness Gary J. Murphy concerning
15 errors in IP's PGA calculations related to gas costs associated with franchise
16 requirements that resulted in an under-collection of revenues from its PGA
17 customers for the 2001 reconciliation year. This testimony also reflects the
18 decision by the Illinois Appellate Court, Fifth District, to reverse the Commission's
19 finding in Docket No. 00-0714 that the Company was imprudent in its decision to
20 retire its Freeburg propane plant.

21 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 6.00?

22

23 A. Yes. I prepared the following schedules for the Company, which show data for
24 the reconciliation year ending December 31, 2001:

25 Schedule 6.01 - PGA Reconciliation Summary

26 Schedule 6.02 - Allocation of Staff Adjustments to Gas Costs

27 Q. Please explain ICC Staff Exhibit 6.00, Schedule 6.01, Illinois Power Company
28 PGA Reconciliation Summary.

29

30 A. Schedule 6.01 is a summary of Staff's proposed 2001 PGA reconciliation. It
31 incorporates the Company's correction of errors related to franchise gas costs as
32 presented on IP Exhibit 1.13. Line 14 reflects the net effect of all adjustments to
33 each Rider and the resulting Factor O. Staff is proposing Factor O charges of
34 \$2,003,993 for Rider A and \$177,600 for Rider B Commodity, and a Factor O
35 refund of \$20,741 for Rider B Demand.

36 Franchise Gas Costs

37 Q. What is franchise gas?

38

39 A. Franchise gas is the gas supplied to municipalities or other governmental entities
40 without charge in compliance with the requirements of franchise agreements.

41 Q. Is the cost for franchise gas, also known as donated services gas, a recoverable
42 gas cost under the Purchased Gas Adjustment clause?
43

44 A. No. Gas supplied under franchise agreements is considered gas used by the
45 utility, which is excluded from recoverable gas costs under 83 Ill. Adm. Code
46 525.40(b). Normally, a gas utility recovers the cost of gas used by the utility,
47 including franchise gas, in base rates that are determined in a rate case
48 proceeding.

49 Q. What is your understanding of the accounting errors for franchise gas costs as
50 they relate to the Company's 2001 PGA Reconciliation?
51

52 A. My understanding is that there are two errors. One error affects revenues and
53 the other error affects costs.

54 Q. Describe the error that affects revenues.
55

56 A. The Company failed to deduct donated services PGA revenue, which is not
57 recovered from donated services customers, from the PGA revenues reported in
58 its monthly PGA filing. As a result, 2001 PGA revenues as originally filed are
59 overstated.

60 Q. Describe the error that affects gas costs.

61

62 A. The donated services amount that the Company deducted from total gas costs
63 for each month's PGA filing was based on donated services revenues instead of
64 on the cost of gas delivered for donated services. Thus, the donated services
65 gas costs deducted from total gas costs were overstated, which left the
66 recoverable gas costs understated.

67 Q. Did the described errors occur throughout the 2001 reconciliation period?

68

69 A. Yes. Based on my review of substantial documentation provided by the
70 Company, it appears that the errors were ongoing.

71 Q. How does the Company propose to correct the errors?

72

73 A. Prospectively, the Company proposes to deduct from PGA revenue the PGA
74 amount of donated services revenue and to deduct from recoverable gas costs
75 the amount obtained from multiplying the volume of donated therms by the
76 system average cost of gas. In the instant case, the Company proposes to add
77 back to recoverable gas costs the donated services amounts it deducted
78 originally from total gas costs in the monthly filings, and then to proceed with the
79 methodology just described.

80 Q. Do you agree with the Company's methodology?

81

82 A. Yes. It is appropriate to exclude donated services PGA revenue because it is not
83 recovered from customers and because the costs associated with the revenue
84 are excluded from recoverable gas costs under the PGA clause. According to 83
85 Ill. Adm. Code 525.40(b), it is appropriate to use the system average cost of gas
86 to calculate the cost of franchise gas.

87 Determinations of the Gas Charge(s) shall exclude the estimated
88 cost of gas to be used by the utility, based on the system average
89 cost of gas for the effective month.

90 Q. Do you agree that the revised 2001 gas costs and PGA revenues presented in IP
91 Exhibit 1.13, Revised PGA Reconciliation for the Year Ended December 31,
92 2001, properly reflect corrections for the accounting errors related to franchise
93 gas costs?

94

95 A. Yes.

96 Freeburg Propane Plant

97 Q. Please explain ICC Staff Exhibit 6.00, Schedule 6.02, Allocation of Staff
98 Adjustments to Gas Costs.

99

100 A. Schedule 6.02 shows how Staff's proposed adjustments will be allocated under
101 the three Riders in the Company's PGA Clause. It is the same as ICC Staff
102 Exhibit 1.00, Schedule 1.02, except that Staff's adjustments related to the

103 Freeburg propane plant have been removed to reflect the decision by the Illinois
104 Appellate Court, Fifth District, to reverse the Commission's finding in Docket No.
105 00-0714 that the Company was imprudent in its decision to retire its Freeburg
106 propane plant. The remaining adjustments are as described previously at ICC
107 Staff Exhibit 1.00, lines 65 – 72 and 79 – 87.

108 Conclusion

109 Q. Does this question end your direct testimony on reopening?

110

111 A. Yes.

**Illinois Power Company
PGA Reconciliation Summary
for the Year Ended December 31, 2001**

Line No.	Description	Rider A	Rider B Demand	Rider B Commodity	Total Company (C+D+E)
(A)	(B)	(C)	(D)	(E)	(F)
1	Unamortized balance as of 12/31/00 per 2000 Reconciliation	\$ 29,910,786	\$ (162,165)	\$ 2,113,955	\$ 31,862,576
2	Factor A Adjustments Amortized to Schedule I at 12/31/00	6,774,644	(97,390)	155,394	6,832,648
3	Factor O Collected / (Refunded) during 2001	-	-	-	-
4	Balance to be Collected / (Refunded) during 2001 from prior periods (sum of lines 1 - 3)	\$ 36,685,430	\$ (259,555)	\$ 2,269,349	\$ 38,695,224
5	2001 Gas Costs	\$ 263,302,090	\$ 1,560,090	\$ 21,175,684	\$ 286,037,864
6	2001 PGA Revenues	(290,495,065)	(1,552,391)	(24,130,682)	(316,178,138)
7	Pipeline Surcharges / (Refunds)	(1,344,311)	(69,387)	-	(1,413,698)
8	Other Adjustments	(519,306)	(28,017)	(5,759)	(553,082)
9	Interest at 6%/2%	5,416	(8,570)	(21,908)	(25,062)
10	2001 Under / (Over)-Recovery (sum of lines 5 -9)	\$ (29,051,176)	\$ (98,275)	\$ (2,982,665)	\$ (32,132,116)
11	Under / (Over)-Recovery for Reconciliation Year	\$ 7,634,254	\$ (357,830)	\$ (713,316)	\$ 6,563,108
12	Factor A Adjustments Amortized to Schedule I at 12/31/01	\$ 3,633,318	\$ (76,775)	\$ (219,554)	\$ 3,336,989
13	Unamortized Balances, End of 2001 Reconciliation Year	\$ 1,996,943	\$ (260,314)	\$ (671,362)	\$ 1,065,267
14	Requested Factor O Recovery/(Refund) (line 11 - line 12 - line 13)	\$ 2,003,993	\$ (20,741)	\$ 177,600	\$ 2,160,852

Source:

Col. C ICC Staff Exhibit 6.00, Schedule 6.01, Page 2, Col. E
Col. D ICC Staff Exhibit 6.00, Schedule 6.01, Page 3, Col. E
Col. E ICC Staff Exhibit 6.00, Schedule 6.01, Page 4, Col. E

**Illinois Power Company
PGA Reconciliation Summary
for the Year Ended December 31, 2001**

Line No.	Description	Revised Rider A As Filed	Staff Adjustment	Staff Revised (C+D)
(A)	(B)	(C)	(D)	(E)
1	Unamortized balance as of 12/31/00 per 2000 Reconciliation	\$ 29,910,786		\$ 29,910,786
2	Factor A Adjustments Amortized to Schedule I at 12/31/00	6,774,644		6,774,644
3	Factor O Collected / (Refunded) during 2001	-		-
4	Balance to be Collected / (Refunded) during 2001 from prior periods (sum of lines 1 - 3)	\$ 36,685,430		\$ 36,685,430
5	2001 Gas Costs	\$ 263,654,473	\$ (352,383)	\$ 263,302,090
6	2001 PGA Revenues	(290,495,065)		(290,495,065)
7	Pipeline Surcharges / (Refunds)	(1,344,311)		(1,344,311.00)
8	Other Adjustments	(519,306)		(519,306)
9	Interest at 6%/2%	5,416		5,416
10	2001 Under / (Over)-Recovery (sum of lines 5 -9)	\$ (28,698,793)		\$ (29,051,176)
11	Under / (Over)-Recovery for Reconciliation Year	\$ 7,986,637		\$ 7,634,254
12	Factor A Adjustments Amortized to Schedule I at 12/31/01	\$ 3,633,318		\$ 3,633,318
13	Unamortized Balances, End of 2001 Reconciliation Year	\$ 1,996,943		\$ 1,996,943
14	Requested Factor O Recovery/(Refund) (line 11 - line 12 - line 13)	\$ 2,356,376	\$ (352,383)	\$ 2,003,993

Source:

Col. C Company Exhibit 1.13, Page 1 of 7
Col. D ICC Staff Exhibit 6.00, Schedule 6.02, Line 6, Col. D

**Illinois Power Company
PGA Reconciliation Summary
for the Year Ended December 31, 2001**

Line No.	Description	Revised Rider B Demand As Filed	Staff Adjustment	Staff Revised (C+D)
(A)	(B)	(C)	(D)	(E)
1	Unamortized balance as of 12/31/00 per 2000 Reconciliation	\$ (162,165)		\$ (162,165)
2	Factor A Adjustments Amortized to Schedule I at 12/31/00	(97,390)		(97,390)
3	Factor O Collected / (Refunded) during 2001	-		-
4	Balance to be Collected / (Refunded) during 2001 from prior periods (sum of lines 1 - 3)	\$ (259,555)		\$ (259,555)
5	2001 Gas Costs	\$ 1,580,831	\$ (20,741)	\$ 1,560,090
6	2001 PGA Revenues	(1,552,391)		(1,552,391)
7	Pipeline Surcharges / (Refunds)	(69,387)		(69,387.00)
8	Other Adjustments	(28,017)		(28,017)
9	Interest at 6%/2%	(8,570)		(8,570)
10	2001 Under / (Over)-Recovery (sum of lines 5 -9)	\$ (77,534)		\$ (98,275)
11	Under / (Over)-Recovery for Reconciliation Year	\$ (337,089)		\$ (357,830)
12	Factor A Adjustments Amortized to Schedule I at 12/31/01	\$ (76,775)		\$ (76,775)
13	Unamortized Balances, End of 2001 Reconciliation Year	\$ (260,314)		\$ (260,314)
14	Requested Factor O Recovery/(Refund) (line 11 - line 12 - line 13)	\$ -	\$ (20,741)	\$ (20,741)

Source:

Col. C Company Exhibit 1.13, Page 1 of 7. (No change from original filing.)
Col. D ICC Staff Exhibit 6.00, Schedule 6.02, Line 6, Col. E

**Illinois Power Company
PGA Reconciliation Summary
for the Year Ended December 31, 2001**

Line No.	Description	Revised Rider B Commodity As Filed	Staff Adjustment	Staff Revised (C+D)
(A)	(B)	(C)	(D)	(E)
1	Unamortized balance as of 12/31/00 per 2000 Reconciliation	\$ 2,113,955		\$ 2,113,955
2	Factor A Adjustments Amortized to Schedule I at 12/31/00	155,394		155,394
3	Factor O Collected / (Refunded) during 2001	-		-
4	Balance to be Collected / (Refunded) during 2001 from prior periods (sum of lines 1 - 3)	\$ 2,269,349		\$ 2,269,349
5	2001 Gas Costs	\$ 21,175,948	\$ (264)	\$ 21,175,684
6	2001 PGA Revenues	(24,130,682)		(24,130,682)
7	Pipeline Surcharges / (Refunds)	-		-
8	Other Adjustments	(5,759)		(5,759)
9	Interest at 6%/2%	(21,908)		(21,908)
10	2001 Under / (Over)-Recovery (sum of lines 5 -9)	\$ (2,982,401)		\$ (2,982,665)
11	Under / (Over)-Recovery for Reconciliation Year	\$ (713,052)		\$ (713,316)
12	Factor A Adjustments Amortized to Schedule I at 12/31/01	\$ (219,554)		\$ (219,554)
13	Unamortized Balances, End of 2001 Reconciliation Year	\$ (671,362)		\$ (671,362)
14	Requested Factor O Recovery/(Refund) (line 11 - line 12 - line 13)	\$ 177,864	\$ (264)	\$ 177,600

Source:

Col. C Company Exhibit 1.13, Page 1 of 7

Col. D ICC Staff Exhibit 6.00, Schedule 6.02, Line 6, Col. F

**Illinois Power Company PGA Reconciliation
Allocation of Staff Adjustments to Gas Costs
for the Year Ended December 31, 2001**

Line No.	Description	Total Staff Adjustment	Allocation		
			Rider A	Rider B Demand	Rider B Commodity
(A)	(B)	(C)	(D)	(E)	(F)
1	Delayed Payment Interest	\$ (1,575)	\$ (1,437)	\$ -	\$ (138)
2	Shanghai Storage				
3	Firm Pipeline	(366,000)	(345,444)	(20,556)	
4	Reservation	(3,813)	(3,628)	(185)	
5	City Gate Contract	(2,000)	(1,874)		(126)
6	Total	<u>\$ (373,388)</u>	<u>\$ (352,383)</u>	<u>\$ (20,741)</u>	<u>\$ (264)</u>

Source:

Col. C, line 1	Company Response to Staff Date Request GS-3.b, page 2
Col. C, lines 2-5	ICC Staff Exhibit 2.00, Schedules 2.01 and 2.03
Col. D	Col. D = Col. C-Col. E-Col. F
Col. E, line 3	Col. C x (Total Contract Capacity/Total SDDS) per Company Sch. C, page 3, lines 1 & 2
Col. E, line 4	Col. C x (Nov. & Dec. Contract Capacity/Nov. & Dec. SDDS) per Company Sch. C, page 3, lines 1 & 2
Col. F, line 1	Col. C x (Total Rider B Therm Sales/Total Therm Sales) per Company Sch. C, page 3, lines 4 & 5
Col. F, line 5	Col. C x (Jan., Feb. & Mar. Rider B Therm Sales/Jan., Feb. & Mar. Total Therm Sales) per Company Sch. C, page 3, lines 4 & 5